

2007-2008 Proposed Budget BUDGET IN BRIEF

The Mission of the City of San José is to provide quality public services, facilities and opportunities that create, sustain and enhance a safe, livable, and vibrant community for its diverse residents, businesses and visitors.

Proposed Financial Plan

The 2007-2008 Proposed Operating and Capital Budgets for the City of San José total \$3.2 billion and represent the City Manager's proposed financial plan for the upcoming year. The Mayor and City Council, who are responsible for adopting the final budget for the City of San José, will be holding a series of City Council Budget Study Sessions during May to thoroughly analyze the many proposals set forth in this budget and to solicit input from the community. In June, the Mayor and City Council will adopt the final budget, incorporating any changes resulting from that review.

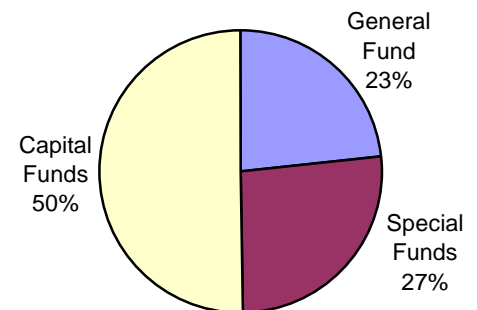
The 2007-2008 Proposed Budget is based on the underlying assumption of continued modest economic growth in this region. While the City's overall financial position remains relatively stable, the City faces a sixth year of General Fund shortfalls as the growth in revenues has not kept pace with the growth in expenditures. The 2007-2008 Proposed Budget closes a General Fund gap of \$19.9 million, which is comprised of a \$16 million basic and \$3.9 million development fee program shortfall. This budget focuses on City Council and community priorities and sustained fiscal health.

Community-Based Budgeting Process

Following the City Council approval of the Reed Reforms in early January, the 2007-2008 budget process has been expanded to solicit and incorporate feedback from the community. A telephone survey was conducted in January 2007 to explore residents' perceptions of City services and their policy and funding priorities. A Neighborhood Association Priority Setting Session was also held in January to set priorities. The results of these efforts guided the Council Priority Setting Session attended by the City Council and City Administration that resulted in the establishment of the following three-year goals.

- Maintain our status as the Safest Big City in America
- Eliminate the structural deficit
- Reduce deferred maintenance and the infrastructure backlog and develop a strategy to improve the infrastructure
- Increase economic vitality
- Provide full funding for parks, pools, community centers and libraries, including maintenance, operation and development

2007-2008 Proposed Budget



General Fund: used for regular operating expenditures, such as public safety, parks, and libraries.

Special Purpose Funds: used for operations that receive direct funding, which can only be used for a specific purpose, such as the Airport.

Capital Funds: used for infrastructure improvements, including transportation, public safety, airport, parks, and library projects.

Budget Hearings

The City Council will hold several budget study sessions in May and two public hearings. Public hearings are currently scheduled for Tuesday, May 15th at 7:00 p.m. and Monday, June 11th at 7:00 p.m. The schedule for the study sessions and public hearings is posted on the City's website (www.sanjoseca.gov). The study sessions and public hearings will be held in the City Hall Council Chambers, 200 East Santa Clara Street, San José and are televised on the cable channel 26. Live and archived broadcasts of these sessions are also accessible on the City's website. The final budget will be adopted on June 19th.

Balancing the Budget

The General Fund is used to provide many of the basic services provided by the City, including police, fire, libraries, parks, and traffic maintenance. The 2007-2008 Proposed Budget closes a shortfall of \$19.9 million.

GENERAL FUND BALANCING PLAN (\$ in 000s)		
	2007-2008	Ongoing
General Fund Shortfall	\$ 16,004	\$ 16,004
Development Fee Program Shortfall	3,868	3,868
Total General Fund Shortfall	\$ 19,872	\$ 19,872
Source of Funds:		
Use of 2007-2008 Future Deficit Reserve	\$ 10,630	\$ 0
Use of Earmarked Reserves	10,739	0
Development-Related Reserves/Fee Revenue	6,137	4,239
2006-07 Excess Revenue/Expenditure Savings	4,109	0
Transfers from Other Funds	5,918	3,515
Other Adjustments	4,260	5,434
Total Change to Source of Funds	\$ 41,793	\$ 13,188
Use of Funds:		
Staffing & Non-Personal/Equipment Reductions	(\$ 9,219)	(\$ 9,410)
Shift Eligible Expenditures to Other Funds	(2,428)	(2,379)
Technology & Capital Infrastructure Maintenance	18,804	0
Neighborhood Services Activities	3,906	2,495
Economic Development Activities	2,100	0
City Council Direction (Mayor's Message)	1,415	2,120
Miscellaneous Additions	7,343	1,752
Total Change to Use of Funds	\$ 21,921	(\$ 5,422)
Total Change in the General Fund	\$ 19,872	\$ 18,610
Remaining Shortfall	0	(\$ 1,262)

How was the General Fund Budget Deficit Calculated?

Each year, a Five-Year General Fund Forecast is prepared that compares the estimated revenues and expenditures over the next five years to determine if there is a projected surplus or deficit.

The expenditure figures, which reflect the cost of existing programs, are updated to reflect estimated salary and benefit costs and any changes in contractual obligations. In addition, expenditures to which the City is considered to be committed by prior City Council action are included, such as costs related to operating and maintaining new facilities.

In 2007-2008, the expenditures are projected to exceed the estimated revenues by \$19.9 million. In the February 2007 Forecast, budget deficits were also projected in each of the five years.

The 2007-2008 Proposed Operating Budget closes a \$19.9 million funding gap in the City's General Fund by identifying additional funding sources of \$41.8 million, partially offset by net additions of \$21.9 million. In this budget, a significant effort has been made to solve the budget deficit with ongoing solutions and to align one-time revenues with one-time expenditures. As shown in the chart above, 94% of the \$19.9 million deficit has been solved on an ongoing basis. This is an important step in closing the City's structural deficit.

BUDGET ACTIONS TO ADDRESS THE CITY COUNCIL'S THREE-YEAR GOALS

Maintain Our Status as the Safest Big City in America

Add 15 Police Officers, protect all core patrol functions; and restore dispatch supervisor position

Eliminate the Structural Budget Deficit

Maximize use of ongoing dollars to close 2007-2008 budget deficit; and establish a \$2 million reserve to begin addressing the City's GASB 43/45 liability for future benefits

Reduce Deferred Maintenance/Infrastructure Backlog and Develop a Strategy to Improve the Infrastructure

Add \$5 million in one-time funding for street infrastructure maintenance; restore parks maintenance funding; and add \$5.5 million in one-time funding for technology infrastructure upgrades

Increase Economic Vitality

Establish a \$1 million Economic Incentive Fund; and add funding for a Shopping Center Improvement Pilot Program

Provide Full Funding for Parks, Pools, Community Centers and Libraries

Add funding to maintain new parks and recreation facilities and to increase existing maintenance; restore aquatics program at four school-leased sites; and add positions for the Community Center Re-Use Plan

Budget Facts

2007-2008 Proposed Budget

GENERAL FUND

Police	\$ 279,169,140
Fire	134,156,515
City-wide Expenses	86,759,852
Parks, Recreation & Neighborhood Services	65,023,935
Planning, Building & Code Enforcement	37,989,384
Transportation	33,820,239
Libraries	28,378,711
General Services	19,362,324
Finance and Human Resources	19,075,189
City Management (Manager and City Council)	17,080,557
Information Technology	16,617,841
City Attorney	13,235,143
Public Works	10,641,058
Capital Improvements	12,954,000
Transfers to Other Funds	28,876,906
Other	14,263,186
Reserves	78,820,154
Total General Fund	\$ 896,224,134

ENTERPRISE/SPECIAL PURPOSE FUNDS

Airport	\$ 829,154,664
Waste Water Treatment Plant & Sanitary Sewer	242,403,183
Housing	130,116,555
Waste Mgmt (Garbage Collection/Recycling)	117,048,161
Municipal Water	29,620,585
Parking	23,526,164
Storm Sewer Operations	20,909,818
Convention and Cultural Facilities	20,773,972
Workforce Investment Act	19,907,863
Community Development Block Grant	19,377,645
Gas Tax	17,200,000
Other	273,077,563
Total Special Purpose Funds	\$ 1,743,116,173

CAPITAL IMPROVEMENT FUNDS

Airport	\$ 977,660,483
Parks and Community Facilities	205,470,071
Public Safety	107,769,505
Library	94,901,014
Water Pollution Control	92,258,969
Traffic	69,934,617
Sanitary Sewers	32,266,326
Water Utility System	9,875,022
Other	43,317,215

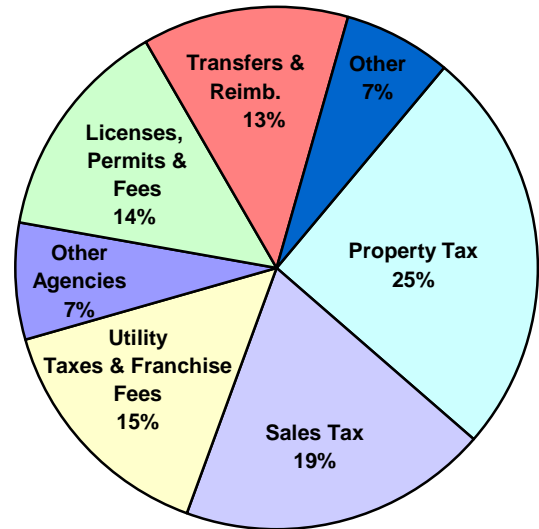
Total Capital Funds \$ 1,633,453,222

TOTAL ALL FUNDS \$ 4,272,793,529

Less Transfers, Loans & Contributions (1,040,301,496)

NET CITY USE OF FUNDS \$3,232,492,033

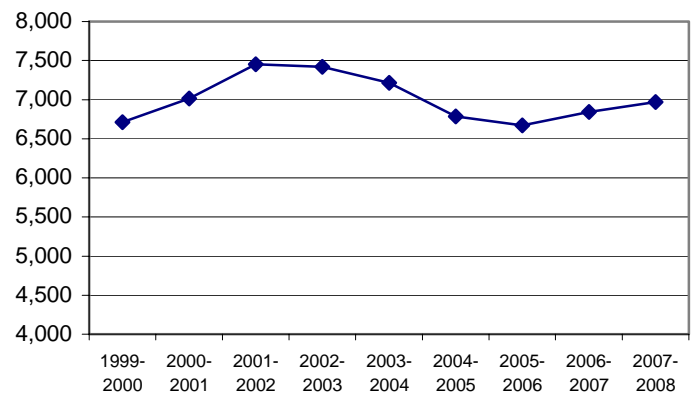
2007-2008 Major Sources of General Fund Revenues*



* Excludes Fund Balance

Total City Positions

Position History



In the 2007-2008 Proposed Budget, a net addition of 127 positions from the 2006-2007 Adopted Budget level is recommended. This includes the addition of 251 positions spread throughout the organization, offset by reductions of 124 positions necessary to address the budget deficit. The 2007-2008 staffing level of 6,970 would still only be roughly equivalent to 2000-2001 levels.

Service Delivery Highlights

The City of San José organizes its operations into six City Service Areas (CSAs). Following is a brief description of the expected service delivery in 2007-2008 and the impacts of the proposed budget actions.

Key Public Safety Services

*Crime Prevention
Emergency Medical Services
Emergency Preparedness
Fire Prevention
Fire Suppression
Police Investigations
Police Patrol
Public Education*



Key Community & Economic Development Services

*Building Permits
Development Services
Economic Development
Housing Services
Land Use and Planning
Local & Small Business
Technical Services
Public Art
Workforce Investment Network*



Public Safety

Expected Service Delivery

- ☐ Provide essential emergency services (patrol, fire suppression, and emergency medical services) in a timely and effective manner.
- ☐ Continue to coordinate and implement federally-mandated regional terrorism response planning and San José Prepared!
- ☐ Effectively investigate crimes and prosecute suspects.

Service Delivery Changes

- ☐ Add 15 new police officers to address identified service needs including beat patrol and property crime investigations.
- ☐ Add funding for one new fire company (Fire Station 34 – Berryessa), including the addition of 13 sworn positions.
- ☐ Restore a supervisor in police communications to address vacancies and oversee dispatcher training and add a fire battalion chief for special training.
- ☐ Permanently continue \$400,000 of the \$800,000 in police overtime funding that was added on a one-time basis in 2006-2007 to address downtown safety.
- ☐ Reduce 3 vacant police administrative positions, 4 crime prevention positions, and 2 vacant fire administrative and warehouse positions.
- ☐ Reallocate 1.69 crossing guard vacant positions to 1.0 school safety coordinator to provide improved intersection coverage.

Community & Economic Development

Expected Service Delivery

- ☐ Aggressively implement the City's Economic Development Strategy.
- ☐ Expand market-rate affordable housing opportunities.
- ☐ Maintain local and small business technical services and the Workforce Investment Network Program services.
- ☐ Strengthen festivals and continuing events in the Downtown.
- ☐ Provide excellent customer service in the development review process.

Service Delivery Impacts

- ☐ Add resources for an Economic Incentive Fund and a Shopping Center Improvement Pilot Program.
- ☐ Add positions in Building (9) and Public Works (3) to improve development services response times.
- ☐ Increase development fees by an average of 5% to 8.9% to recover costs.
- ☐ Add resources for a comprehensive update of the General Plan.
- ☐ Add support for the Mariachi Festival, ZeroOne Festival, and create a Rotunda Lighting Program.

Service Delivery Highlights

Neighborhood Services

Expected Service Delivery

- ❑ New and more flexible libraries and community centers are being constructed as promised to voters. The Edenvale, Joyce Ellington, Pearl Avenue, and Willow Glen branch libraries will be opening in 2007-2008.
- ❑ Continue to provide homework support, sports activities and other enrichment to local youth as well as maintain current library hours.
- ❑ Maintain conflict resolution and intervention at schools.
- ❑ Continue to provide blight abatement and other code enforcement services.
- ❑ Continue operation of the City's Animal Care and Services Facility.
- ❑ Continue towards the goal of providing 4,000 Smart Start San José childcare spaces by 2010.

Service Delivery Impacts

- ❑ Add 12.6 positions to support new parks and recreation facilities and add 11 positions to improve existing park maintenance (increased mowing frequency, park irrigation and playground repair).
- ❑ Add Aquatics Program funding to support four school-leased pool sites.
- ❑ Add 22 positions for the Community Center and Northside Re-Use Plans.
- ❑ Add \$5 million for the remediation of Watson Park.
- ❑ Add 2 code enforcement positions to provide proactive enforcement and reinstatement of field inspections for certain non-life safety complaints.
- ❑ Eliminate 23 vacant positions in Parks, Recreation and Neighborhood Services and 4.5 vacant positions in the Library

Environmental & Utility Services

Expected Service Delivery

- ❑ Continue to exceed the State's AB 939 waste diversion mandate of 50%.
- ❑ Replace and rehabilitate the City's aging infrastructure.
- ❑ Continue to meet storm water permit requirements.
- ❑ Continue implementation of the Integrated Billing System.

Service Delivery Impacts

- ❑ Add 22 positions at the Water Pollution Control Plant for preventative maintenance, Plant expansion and reliability project support, asset management, HVAC support, an As-Built Drawing Program, a Plant Industrial Safety Program, and Plant laboratory support.
- ❑ Implement rate increases of 9% for the Storm Sewer and Sewer and Service and Use Charge, 28% for Recycle Plus, and 12% for the Municipal Water System in order to maintain a reliable utility infrastructure.
- ❑ Add 2 positions for watershed enforcement to prevent trash and other pollutants from entering the storm sewer system.
- ❑ Add staff to implement the City's Green Building Policy.

Key Neighborhood Services

Adult & Youth Sports
After School Programs
Animal Care Services
Anti-Graffiti and Anti-Litter
At-Risk Youth Services
Code Enforcement
Community Centers
Libraries
Park Facilities
Senior Services



Key Environmental & Utility Services

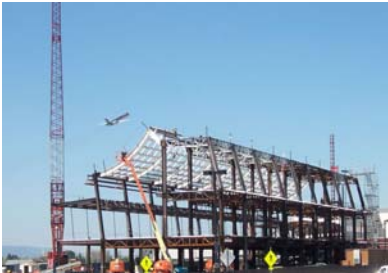
Energy Conservation Efforts
Garbage Collection & Recycling
"Green" Building Program
Municipal Water System
Neighborhood Cleanups
Sanitary Sewer Maintenance
Storm Sewer Maintenance
Water Pollution Control Plant
Water Recycling



Service Delivery Highlights

Key Transportation & Aviation Services

Airport Operations
Landscape & Tree Maintenance
Parking Services
Street Pavement Maintenance
Traffic Capital Improvements
Traffic Maintenance
Traffic Safety Education
Transportation Planning and
Project Delivery



Key Strategic Support Services

Facility Maintenance
Financial Management
Fleet Maintenance
Human Resources
Information Technology
Public Works Services



Transportation & Aviation Services

Expected Service Delivery

- ❑ Continue construction of the North Concourse facility and the development of the Terminal Area Improvement Program at the Airport.
- ❑ Continue efforts to increase the destinations served and flight frequency.
- ❑ Continue to address security mandates at the Airport.
- ❑ Provide timely infrastructure repairs to ensure basic community safety (potholes and larger pavement failures, signals, signs, markings, etc.).
- ❑ Leverage State and federal funding for regional transportation projects.
- ❑ Perform street sealing preventative maintenance and resurfacing.

Service Delivery Impacts

- ❑ Add \$5 million from the General Fund to address the significant backlog of street maintenance infrastructure needs.
- ❑ Adds \$750,000 for Airport private security to address mandated requirements.
- ❑ Add funding to implement the Airport's Shared Use System, which enables the Airport to dynamically allocate terminal space, and to assume maintenance and operation of Terminal A+.
- ❑ Add 10 positions to support the Traffic Capital Program.
- ❑ Eliminate 8 positions that support traffic and street landscape maintenance.
- ❑ Eliminate remaining Sidewalk Repair Program grants except for hardship cases.
- ❑ Eliminate the Neighborhood Automated Speed Compliance Program (NAS COP).

Strategic Support

Expected Service Delivery

- ❑ Oversee the City's capital projects, ensuring on-time and on-budget delivery of facilities that meet both customer and City staff needs.
- ❑ Maintain City facilities, equipment, and vehicles.
- ❑ Attract and retain qualified employees.
- ❑ Ensure that the City's finance and technology resources are protected and available to address short and long-term needs of the community.

Service Delivery Impacts

- ❑ Add 6 positions to manage workers' compensation claims, 3 positions to address classification, recruitment, and compensation issues; 1 position for the Return to Work Program; and 1 Americans with Disabilities Act coordinator to address accessibility issues in City-owned facilities.
- ❑ In-source electrical and plumbing maintenance and repair activities, at a net savings to the General Fund.
- ❑ Convert existing temporary staff and add new positions to provide technical, financial, and customer service support for the Integrated Billing System.
- ❑ Add \$5.5 million for critical city-wide technology infrastructure needs.
- ❑ Add 5 positions to implement the Revenue Collection Strategic Plan.

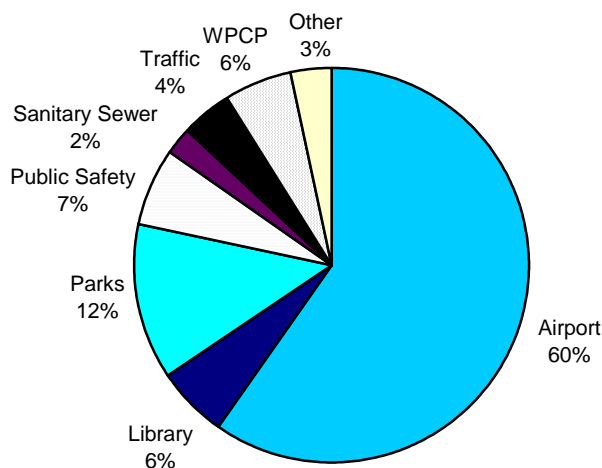
Investing in the City's Infrastructure

The capital investments proposed over the next five years are substantial, with a 2007-2008 Proposed Capital Budget of \$1.63 billion and a 2008-2012 Proposed Capital Improvement Program (CIP) of \$2.75 billion.

The City is now in the second half of the *Decade of Investment* that is transforming much of the City's infrastructure. Major improvements continue in the City's parks, community centers, libraries and public safety facilities, primarily as a result of voter-approved bond measures that will generate a total of \$599 million for these purposes. The expansion of the Airport will deliver a facility that meets the needs of both customers and the airlines in a cost effective manner. Substantial investments in the City's utility infrastructure are also underway, designed to ensure the continued safe and efficient operation of these facilities and the capacity to address future growth.

With the number of new facilities coming online in the 2008-2012 CIP, General Fund operating costs will total \$4.0 million in 2008-2009 and climb to \$15.3 million by 2011-2012. In addition, the backlog of unmet infrastructure needs and deferred maintenance continues to grow and be a major concern facing the City. These issues, along with the competing trend of rising construction costs, will present a major challenge as strategies are developed to eliminate the General Fund ongoing structural deficit.

2007-2008 Proposed Capital Budget



Major Projects to be Completed over the Next Five Years

2007-2008 Projects

Branham Lane Improvements
Edenvale Branch Library
Fire Station 12 Relocation (Calero)
Fire Station 17 Relocation (Cambrian)
Fire Station 25 Relocation (Alviso)
Fire Station 34 (Berryessa)
Fire Station 35 (Cottle/Poughkeepsie)
Joyce Ellington Branch Library
Pearl Avenue Branch Library
Senter Road: Tully to Singleton
Water Pollution Control Plant
Reliability Improvements
Willow Glen Branch Library

2008-2009 Projects

Airport North Concourse
Airport Terminal A Improvements
East SJ Carnegie Branch Library
Fire Station 19 Relocation (Piedmont)
Fire Station 36 (Silver Crk/Yerba Buena)
Happy Hollow Park & Zoo
Mayfair Community Center
Public Safety Driving Training Center
Roosevelt Community Center
Santa Teresa Branch Library
SJSU to Japantown Pedestrian
Corridor

2009-2010 Projects

Airport Terminal B Phase I
Bascom Community Center & Library
Calabazas Branch Library
Edenvale Sanitary Supplement, Ph V
Educational Park Branch Library
Fire Station 37 (Willow Glen)
Plant Master Plan
Seventrees Branch Library
Solari Community Center
South San José Police Substation
West Side Airfield Overlay

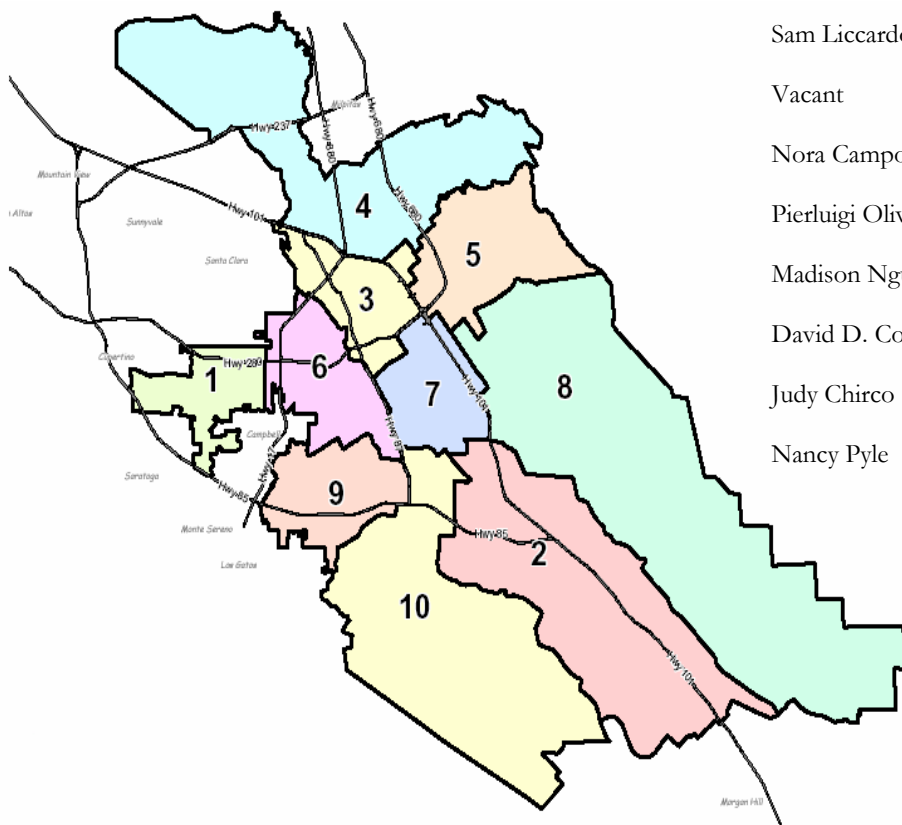
2010-2011 Projects

Airport Terminal C Demolition
Almaden Road Sewer Rehabilitation
Southeast Branch Library

2011-2012 Projects

Albany-Kiely Storm Improvements Ph IV
Coleman Road Sewer Improvements
Cropley Avenue Sewer Improvements
Digester Gas Line Replacement

Roster of Elected Officials



CITY COUNCIL	DISTRICT	TELEPHONE/ E-MAIL
Chuck Reed	Mayor	535-4800 mayoremail@sanjoseca.gov
Pete Constant	1	535-4901 District1@sanjoseca.gov
Forrest Williams	2	535-4902 Forrest.williams@sanjoseca.gov
Sam Liccardo	3	535-4903 District3@sanjoseca.gov
Vacant	4	535-4904 District4@sanjoseca.gov
Nora Campos	5	535-4905 District5@sanjoseca.gov
Pierluigi Oliverio	6	535-4906 District6@sanjoseca.gov
Madison Nguyen	7	535-4907 District7@sanjoseca.gov
David D. Cortese	8	535-4908 dave.cortese@sanjoseca.gov
Judy Chirco	9	535-4909 judy.chirco@sanjoseca.gov
Nancy Pyle	10	535-4910 District10@sanjoseca.gov

Managing Our Finances

Despite the City's economic challenges, the City of San José is recognized for its excellent financial management. San José has maintained its strong AA+ bond rating, the highest of any major California city. The City's annual Operating and Capital Budgets have also received awards from the Government Finance Officers Association and the California Society of Municipal Finance Officers.

The City's excellent credit ratings will save taxpayers money in financing costs for the three general obligation bonds passed for park, library, and public safety improvements.

Accessing the Budget

On-line versions of the City of San José's 2007-2008 Proposed Operating and Capital budgets are posted on the City's website at www.sanjoseca.gov. These documents are also available at your public library. For more information about the City of San José Budget, please contact the City Manager's Budget Office at (408) 535-8144.

This publication can be made available upon request in alternative formats such as Braille, large print, audio-tape or computer disk. Requests can be made by calling (408) 535-8144 (Voice) or (408) 294-9337 (TTY).